

Message Text

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ACTION EB-07

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 DODE-00 PA-02 PRS-01 L-03 H-02 /098 W

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R 300411Z JAN 76

FM AMEMBASY CANBERRA

TO SECSTATE WASHDC 7374

INFO AMCONSUL BRISBANE

AMEMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

UNCLAS CANBERRA 715

E.O. 11652: N/A

TAGS: EGEN, ECON

SUBJ: CPI FOR DECEMBER QUARTER UP 5.6 PERCENT

REF: 75 CANBERRA 7140

1. AUSTRALIAN BUREAU OF STATISTICS (ABS) HAS ISSUED DECEMBER QUARTER 1975 CONSUMER PRICE INDEX (CPI). COMPARED WITH PREVIOUS QUARTER, ALL GROUPS CPI FOR WEIGHTED AVERAGE OF SIX STATE CAPITALS (CANBERRA EXCLUDED) ROSE 5.6 PERCENT, AS AGAINST A RISE OF 0.8 PERCENT FOR SEPTEMBER QUARTER. CPI FOR CANBERRA ROSE 8 PERCENT AS AGAINST FALL OF 0.1 PERCENT IN SEPTEMBER QUARTER. CPI 14.0 PERCENT ABOVE DECEMBER QUARTER 1974 (CANBERRA 14.9 PERCENT) AS AGAINST 17.6 PERCENT ANNUAL RATE FOR MARCH 75 QUARTER, 16.9 PERCENT OFR JUNE AND 12.1 PERCENT FOR SEPTEMBER.

2. IN A MANNER SIMILAR TO CASE IN SEPTEMBER QUARTER, DECEMBER
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FIGURES INCLUDE EFFECTS OF DECREASES IN PRICES OF HOSOPTAL

SERVICES IN SYDNEY AND BRISBANE WITH FULL APPLICATION OF MEDIBANK IN THOSE CITIES. FOR COMPARATIVE PURPOSES, SIX CAPITAL CPI INCREASED 6.3 PERCENT WITH HOSPITAL AND MEDICAL SERVICES EXCLUDED, OR 16.7 PERCENT ON AN ANNUAL BASIS.

3. AS EXPECTED, DECEMBER FIGURES ALSO REFLECT EFFECTS OF TAX INCREASES ON SUCH ITEMS AS BEER AND SPIRITS, TOBACCO, AND POL PRODUCTS INTRODUCED AS RESULT OF AUGUST 1975 BUDGET. IT IS ESTIMATED THAT THESE INCREASES CONTRIBUTED OVER 2 PERCENT TO THE TOTAL INDEX INCREASE.

4. COMMENT: THE LATEST FIGURES SEEM TO POINT TO SOME FURTHER STABILIZATION OF INFLATION GROWTH RATE, ALBEIT STILL WELL INTO DOUBLE FIGURES. COMMENTING ON CPI FIGURES, TREASURER, MR. LYNCH, INDICATED THAT HE IS DEEPLY CONCERNED BY EXTENT OF PRICE INCREASES IN LAST THREE MONTHS OF 1975 AND THAT "HEALTH COULD NOT BE RESTORED TO NATIONAL ECONOMY WHILE INFLATION REMAINED AT THE RATE INDICATED IN THE LATEST CPI INDEX."

5. IN A CLOSELY RELATED MATTER, THE CONCILIATION AND ARBITRATION COMMISSION (CAC) SCHEDULED COMMENCE HEARINGS ON WAGE INDEXATION ON FEBRUARY 3. UNIONS EXPECTED ASK FOR 6.4 PERCENT INDEXATION INCREASE (5.6 PERCENT FOR DECEMBER PLUS 0.8 PERCENT NOT GRANTED FOR SEPTEMBER QUARTER) AND REPORTEDLY 3 PERCENT FOR PRODUCTIVITY INCREASES. IT GENERALLY BELIEVED THAT IN VIEW OF PREVIOUS COMMITMENT TO PRINCIPLE OF INDEXATION, GOVERNMENT WILL NOT OBJECT TO 6.4 PERCENT INCREASE, BUT WILL RESIST PRODUCTIVITY INCREASES. EMPLOYER REPRESENTATIVES HAVE ESTIMATED THAT FULL 6.4 PERCENT INCREASE WOULD MEAN ADDITIONAL ANNUAL WAGE COST OF ABOUT \$1,500 MILLION. AT THIS STAGE GOVERNMENT SEEMS INCLINED PLACE MAIN EMPHASIS IN BATTLE AGAINST INFLATION THROUGH REDUCING GOVERNMENT SPENDING AND IN WIDE-RANGING MONETARY MOVES ANNOUNCED LAST WEEK (SEPTER IN PREPARATION). LYNCH ALSO INDICATED THAT HE INTENDS MAKE MAJOR STATEMENT WITHIN NEXT TWO WEEKS ON MEASURES TO DEAL WITH INFLATION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RETAIL PRICE INDEXES, WAGE PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CANBER00715
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760035-0726
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976016/aaaaaenq.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 CANBERRA 7140
Review Action: RELEASED, APPROVED
Review Authority: hattaycs
Review Comment: n/a
Review Content Flags:
Review Date: 06 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 JUL 2004 by schwenja>; APPROVED <22 JUL 2004 by hattaycs>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CPI FOR DECEMBER QUARTER UP 5.6 PERCENT
TAGS: EGEN, ECON, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006